APPENDIX D

PRELIMINARY NORTHEAST U.S. MARKET ASSESSMENT - LOBSTERS

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EXECUTIVE SUMMARY

Lobster producers enjoy a large, established market for live product. In North America, the market for live product is mature, with growth coming from price elastic demand and from inflation.

High cost for lobster and its presentability in the shell have limited producer interest in value-added products in the past. Most lobster that is not sold fresh is cooked, chilled, frozen in the shell, or the meat is frozen in cans and vacuum packs. These processing methods are simple but provide limited added value.

The cost of lobster meat restricts opportunities for penetrating certain market niches, however, the commercial food service niche would be appropriate for value-added lobster initiatives. Consumers are typically more adventurous in their purchase behaviour when in restaurants than they are in grocery stores. Pre-cooked lobster sauces would be an example of a value-added product that could be marketed to restaurants. The sauce could be served with pasta, rice, in a puff pastry, or as a garnish for steak.

There appears to be little direct competition for this type of product. Success in the food service market could eventually lead to opportunities to expand into retail grocery and other market niches.

1.0 INTRODUCTION

This report presents a portion of the analysis conducted during a three-phase study of Northeastern United States Export Opportunities for Prince Edward Island Firms, in light of the Free Trade Agreement. It was produced by the DPA Group Inc., Halifax, in association with Smith Green & Associates, Charlottetown, and Enterprise Management Consultants, Charlottetown. The study was co-sponsored by the Prince Edward Island Department of Industry, and the Atlantic Canada Opportunities Agency (ACOA).

The following report represents one of the preliminary market assessments carried out during the study. It is intended to provide information to existing and potential P.E.I. exporters regarding the Northeast U.S. market opportunities for lobster, and point to further work required. The report is not intended to be a substitute for the independent market research that Island companies should conduct before developing a U.S. market penetration strategy.

2.0 EXTERNAL ENVIRONMENT

1989 P.E.I. exports of lobster and lobster products to the U.S. were valued at $18.2 million.

A twenty year history of the landings and value of P.E.I. lobster is shown on an exhibit on the following page. 1988 lobster landings in P.E.I. represented approximately 33% of Canadian landings. Canada supplies 99% of all U.S. lobster imports.

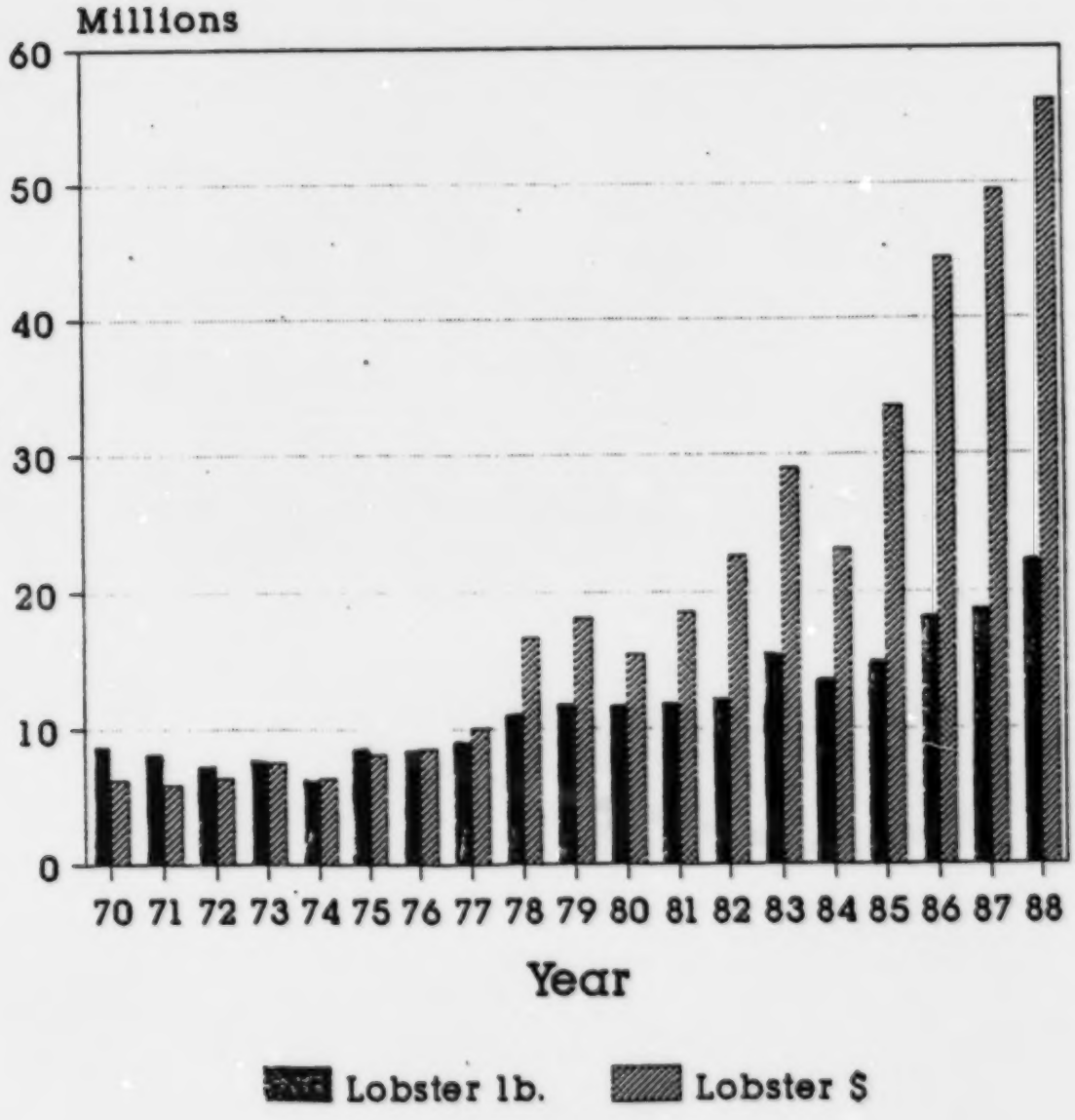
In 1988, U.S. imports of Canadian lobster totalled 28.25 million lbs. of live product, 0.54 million lbs. canned (hot and cold pack) and 7.8 million lbs. in other forms (mainly frozen in shell). The value of these exports to the U.S. were CAN $145,513,000 for live exports and CAN $42,433,000 for frozen.

Live product and frozen meat constitutes the vast majority of Canada's lobster exports. Very little other value added production appears to be done. Perhaps this can partly be explained by the high cost of the raw material, and the fact that lobster in the shell is highly presentable.

Environmental concerns may lead to positive market developments for the Canadian shellfish industry. Coastal pollution along the Eastern U.S. may affect shellfish production or reduce market demand for American coastal production because of safety concerns. These concerns would likely reduce demand for shellfish products in general, however, if effectively marketed, P.E.I. shellfish suppliers could have both a real and perceived comparative advantage.

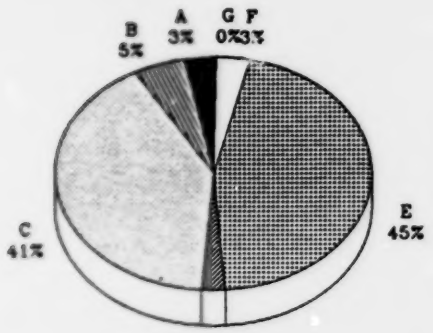
Canadian lobster suppliers have had two significant financial setbacks recently. A strong Canadian dollar relative to the U.S. dollar has lowered export revenues. As well, high interest rates have increased the cost of holding domestic inventories.

PEI LOBSTER
LANDINGS & VALUE

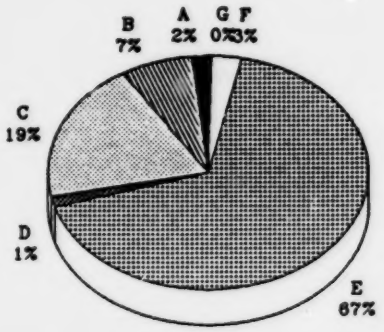


SOURCE: P.E.I. DEVELOPMENT AGENCY

Exports From PEI to the United States
Lobsters



Percent of
Total Weight (kgm)



Percent of
Dollar Value ($,000)

A – Frozen in Brine; B – Frozen Other;
C – live; D – Not Frozen, Other; E –
Frozen Cooked; F – Cooked; G – Air Tight

Exports From PEI to the United States – Lobster				
	kgm	Percent of Total	$,000	Percent of Total
A – Frozen in Brine	33,935	3.1%	$307	1.7%
B – Frozen, Other	55,554	5.1%	$1,288	7.1%
C – Live	446,454	40.6%	$3,538	19.4%
D – Not Frozen, Other	26,388	2.4%	$266	1.5%
E – Meat Frozen Cooked	497,403	45.2%	$12,177	66.9%
F – Meat Cooked, Other	37,967	3.5%	$547	3.0%
G – Meat Cooked in Air Tight Containers	2,282	0.2%	$68	0.4%
Total	1,099,983	1	$18,191	1

Source: **STATISTICS CANADA - 1989 FIGURES**

Note: **All figures in Canadian 1989 dollars**

3.0 TARGET MARKETS

3.1 Overview

This study focuses on the New England and Mid Atlantic States as the prime geographical target market. The Northeast region is defined as including the following States:

New England	Mid Atlantic
Maine	New York
New Hampshire	New Jersey
Vermont	Pennsylvania
Massachusetts	
Rhode Island	
Connecticut	

Projected 1990 population for the Northeast region is 50.57 million people; 66% of this population is 25 years or older. This older segment is the prime target market for consumption of lobster products.

Families in the Northeast region spent 29% more ($1.61 U.S. per week) in 1988 than the U.S. national average for weekly expenditures on fish and seafood. Total weekly expenditure for food at home was $41.91 U.S..

Families in the Northeast had the highest weekly expenditure on food away from home of the major regions of the United States. In 1988, the average family in the Northeast spent $25.69 U.S. on food away from home.

General market trends with a potential positive influence on the demand for lobster include: an increase in meals eaten outside the home, increased demand for frozen prepared dinners, and increasing per capita consumption of fish products.

The total market for lobster in the Northeast States is not known with certainty. This region is the dominant market for lobster consumption and the total value of the domestic catch and all Canadian imports is worth approximately U.S.$300 million.

The total American lobster catch has grown modestly between 1984 and 1989 from 45 million lbs. to $52.9 million lbs., for a 1989 value of $149 million U.S..

The "popsicle pack" frozen lobster market in the United States was around 3 million lbs. in 1989. Popsicle packs currently represent less than 10% of Canadian lobster exports.

The U.S. carapace increase schedule will encourage further processing of Canadian lobster for U.S. markets. As U.S. size requirements gradually increase, promotion of popsicle pack and other processed forms of lobster will need to be considered to replace a portion of the existing sales of live lobster to the U.S.

3.2 Specific Market Segments

3.2.1 Commercial - Restaurants

Food service applications have significant potential for lobster products. The market for fresh lobster is well established in restaurants in both the medium priced and premium priced sectors, while lobster salad sandwiches are common at simple, low priced food service outlets. The premium cost of lobster meat which restricts lobster's potential in retail and industrial markets, is less of an issue in the restaurant trade. The two things that are most important to buyers in this market are top quality and reliable, continuous supply.

Value added food service niches would appear to be the largest and simplest target market to approach. Promotional spending is straight forward and limited to literature and some sample allowances. Restaurant goers are often more adventurous than retail shoppers and are more willing to make either an impulse or a planned purchase on a premium shellfish

product. Packaging is simpler than with retail products and usually involves larger, more efficient sizes.

3.2.2 Retail - Grocery

Retail markets for processed lobster products must battle consumer price resistance. Price is not a great deterrent when the consumer is shopping for a special event, but the likelihood that processed lobster products will become part of the average consumer's weekly shopping basket is low.

3.2.3 Industrial - Ingredient Supply

Because lobster is a premium priced product, its applications as ingredients in processed consumer products are limited. Such applications would have to be products targeted to a premium consumer profile.

4.0 COMPETITIVE ANALYSIS

It is self evident that the fresh lobster market is highly competitive with scores of U.S. and Canadian independent suppliers.

Clearwater Lobster is the foremost Atlantic Canadian producer and, with their dry land lobster pounds, a quality and a continuity-of-supply leader. Clearwater is also very interested in developing value added fish products.

U.S. suppliers have reduced transportation costs to the major Northeast lobster markets and, Maine suppliers in particular, have good levels of consumer awareness and perceived quality.

Value added lobster may face competition, with price sensitive consumers, from imitation lobster. Imitation lobster is commonly seen in seafood sandwiches sold at snack counters and as a meat in seafood departments.

5.0 PRODUCT STRATEGIES

5.1 The Difficulties of Branded Retail Products

Developing a branded retail product in the Northeastern U.S. is a very expensive proposition. Grocery shelf space for branded frozen fish requires listing and promotional fees be paid to each chain that carries the item, absolutely consistent supply year round, and regular head office sales support. Limited retail opportunities may be available through strong distributors and brokers. Small to medium sized P.E.I. suppliers are not recommended to make direct retail branded marketing a prime focus.

5.2 Packaging

Consumers in the Northeast states are particularly receptive to attractive packaging of seafood products. Unfortunately, a mistake that many Atlantic Canadian seafood producers make is that they plan their packaging to meet U.S. regulations only, without adequate concern for the attractiveness of the packaging. While U.S. regulations state that the origin of the product be shown, and other requirements, these are *government requirements* not *consumer requirements*. Often, unless the packaging is attractive, the product will not even be tried. A good package is necessary to sell the product once, then the quality must be up to par to ensure repeat purchases.

It was suggested that, as a minimum, packaging be previewed with U.S. distributors and retailers to get their reaction to it, before printing a large quantity of labels which may turn out to be unsuitable.

5.3 Product Opportunities

Following is a list of specific lobster product opportunities:

- vacuum packed canned frozen meat
- fresh live
- cooked parts in shell fresh
- cooked whole in shell fresh
- cooked parts frozen
- cooked whole frozen
- popsicle pack
- canned
- chowder packs
- stir fry packs
- sauce
- lobster salad
- lobster pate

6.0 PROMOTION AND PRICING STRATEGIES

6.1 Promotion

6.1.1 Trade Shows

All P.E.I. food product suppliers interested in selling to the Northeastern United States should take part in an NEBS mission. This involves travel to the New England market, meet with customs agents, representatives from the U.S. Food and Drug Administration, and a few distributors. Then, they should plan to take part in the annual Solo Food Show held in February, a Canadian food products show organized by the Boston Consulate office. Last year, 66 Canadian companies exhibited at the Solo Food Show from eight provinces. There were 2,300 visitors to the show over its eight hour duration. This year, $140,000 U.S. in on-site sales took place at the Solo Food Show, with projected sales of $16.5 million. This has been the pattern over the last three years, according to the Boston Office.

P.E.I. companies interested in exporting to the Northeast U.S. should also plan to attend the Boston Seafood Show which takes place annually in March. Prominent industry publications are: Seafood Leader, Seafood Business Report and Frozen Food Age.

6.1.2 Distribution Preferences

U.S. fish product distributors prefer (in order of importance) the following methods of learning about new suppliers: personal contact initiated by the supplying firm, brochures, recommendations from personal contacts, trade fairs, and articles or industry advertising. Most buyers prefer to source from U.S. companies, thus Canadian suppliers must have favourable price, quality, consistency of supply and accurate weights. Some markets have developed different preferences for the degree and type of processing for seafood products. Where differences exist, suppliers must identify and tailor their approach to these markets.

Where competitors have the ability to provide year round supply, P.E.I. companies must develop the technology to provide year round supply as well.

6.2 Pricing

It is crucial for P.E.I. producers to develop systems and contacts in the U.S. market that can keep them informed of the pricing and promotional activities of competitors. Accurate and timely competitive activity information will allow P.E.I. companies to maximize selling prices while still being competitive. For example, if a company is selling through a broker or are able to develop a cooperative relationship with your distributor, then these people will prove extremely valuable in obtaining competitive activity. However, the Island processor must take the primary responsibility for consistently monitoring your export competitors. Such activity will take time and money, but without it the company may not remain in the export business.

A cost which is often ignored is the cost of providing programs to sell the product in the retail market. There are three basic types of retail programs today:

- xx cents off the invoice for an advertising allowance;
- in-store demonstrations; and
- in-store give-aways such as a free case of goods for the retailer for a certain number of cases sold.

It is suggested that the processor work with their retail broker or retail distributor for assistance in promotion planning and costing.

6.3 Other

The following is a list of comments from a wide cross-section of American Seafood distributors and wholesalers. The list describes actions and practices that can be crucial to a new or lasting relationship supplying seafood to the U.S. Many of the comments might seem self evident, however, most are based on costly mistakes which have been made in the past.

- **Provide quality, quality, quality.** No other comment was more consistent in the survey.

- **Dependable, trustworthy approach to business.** Understand the commitments you are making, and fulfil them. Be consistent in your dealings. Follow up verbal commitments with a written fax confirming what is to be done, if something is missing them it can be addressed before harm is done or business is lost.

- **Do not short-weight your product.** Many buyers will want the right to reject product that is not of the represented weight or quality. Accurate labelling and quality controlled production are very important.

- **Provide a consistent supply.** This can be especially important for distributors, wholesalers and brokers serving the food service industry.

- **Take the time to learn the expectations and procedures for each of your customers.** If you can learn the idiosyncrasies of each and incorporate that understanding in the way you work with them, then you are on your way to building a productive, long term relationship.

- **Provide 30 days net.**

- **Quote in U.S. dollars**

- **Quote FOB their distribution warehouse.**

- **Know the market and broker prices.** If you are a new source you may have to provide up to a 5% discount to a client's existing sources of supply in order to interest them in changing.

- **When launching an item in an unfamiliar market, plan on the cost of samples, and the cost of shipping those samples.**

- **Quote "market price at time of delivery".**

- **Find ways to make buyer's customs paperwork easy.**

- **Develop neat packaging that catches the eye, is informative, and suggests good workmanship.**

- **Provide samples for potential customers to see and test prior to purchase.**

7.0 DISTRIBUTION STRATEGIES

It is recommended that P.E.I. producers sell through brokers to food service distributors. One reason for doing this is that brokers are able to consolidate truck load shipments from Canada, thereby reducing shipping costs. Another reason is that brokers are already "in the door" at many of the large, full-service food service distributors such as Hall Smith, SYSCO, and Monarch. While the seafood producer acting on his/her own may be unable to gain a listing in the automated, computer-based buying system of these major food service companies, the broker often can.

Another reason for using brokers is that the P.E.I. processors' selling cost will be much lower. While he/she may only need to call in a New England broker once every two or three months, they would be required to fly down at least once a week to sell to a large number of food service distributors. Food service brokers will charge a commission of between 3-5%. This commission can, on rare occasions, get as high as 10%, if the product is a new, specialty product which is likely to be a slow mover. It is unlikely that there would be any Prince Edward Island seafood products which fall into this category.

It is recommended that Canadian processors not sign contracts with brokers unless they have checked the broker out with the consulate first. While there are many brokers in the New England area that the Trade Officers do not know, they are familiar with a great many of them, and know those with good reputations, as well as those with poor ones. It should be noted that while consulates are in a position to provide information about brokers operating in their jurisdictions, they would not make specific recommendations to avoid being placed in a potentially difficult situation.

Prince Edward Island processors should determine if the broker is carrying any directly competing lines. If the broker is dealing with the processor's competitors, and those lines are selling well for the broker, then it is very unlikely that the P.E.I. company's product will be pushed.

Many brokers will request an exclusive arrangement for the entire U.S. market. While such a large territory is unreasonable, most large brokers can adequately cover the New England market and will expect this size of territory.

It is recommended that a 60-90 day contract be drawn up first, as a trial period, with termination possible at any time by either the processor or the broker. In contracts signed after the trial period, a 60 day termination notice by either party would be required to cease the relationship.

During the first few weeks, the processor should expect to be contacted by the broker very often asking for further product details, delivery specifics and other information. If this does not happen early on, then it is quite likely that the broker has not been doing his/her job or getting enquiries from retailers.

It is suggested that one broker may be required for the New England states, with another for New York and surrounding states. In some cases, the New England firm may wish to co-broker with a colleague in New York, a relationship which would enable them to trade product back and forth and generally manage the entire territory better.

It is suggested that during the first 3-6 months, the P.E.I. processor should plan to accompany the brokers' sales representatives while they call on accounts. This would enable the processor to educate both the broker and the accounts of the benefits of the product, evaluate the broker's efforts, and generally evaluate how the broker is treated by the buyer. It is a fact of life that most processors do not completely trust their brokers for at least 2-5 years, until the relationship has been established.

Concerning collections, the Canadian Consulate can offer credit advice to processors concerning New England distributors, as the Boston Consulate subscribes to a credit information service. Brokers sometimes assist the processor collect money, as they are paid only when the processor is paid. However, it is not the broker's responsibility to collect overdue accounts.

Typically, brokers are paid by processors twice a month, based on payment received by the processor on the net sale of goods. The term "net sale" refers to the selling price of the product only; commissions are not paid on freight costs or customs broker charges.

The seafood producer may also be required to cover the cost of storage of the product in the U.S. market in a cold warehouse. If so, then the cost of cold storage must be factored into the cost of production by P.E.I. producers; many companies make the mistake of assuming that all of the shipments will be in full truckload quantities, without extra handling and storage costs. It was estimated that cold storage warehouses charge about 1.5¢ per pound for most seafood products, which will cover the first month of storage as well as handling. Beyond that, 0.75¢ per pound is charged, typically. Currently, there is said to be a "buyers market" for cold storage because of the lack of fish available. As a result, producers can often negotiate better rates than the above. It is suggested that P.E.I. producers work with their brokers to determine what storage arrangements and costs are required.

8.0 NEXT STEPS

The information contained in this report is intended to provide a *preliminary* market assessment and strategy only; would-be exporters should conduct more analysis before going further. The following steps are recommended:

- Review Company Operations;
- Explore Export Assistance Programs;
- Conduct Detailed Market Research;
- Develop Company-Specific Export Marketing Strategy; and
- Implement the Strategy.

8.1 Review Company Operations

Prior to making any decision to export, the company should conduct a thorough review of its domestic performance and capabilities. For example, sales, profit margins and prices should be compared with those of the industry. If domestic performance is suffering, then perhaps the company's efforts would be better spent making improvements there, prior to venturing into new markets.

Another aspect to thoroughly investigate is the company's resources. Exporting requires considerable time and financial resources, especially in the early stages. The company should determine whether it has a production capacity to ensure that orders can be delivered promptly to both Canadian and U.S. customers. Reliability is one of the most essential requirements for a success in exporting. Therefore, it is not wise to export simply to periodically unload excess inventory.

It is important to ensure that all senior managers of the company be committed to exporting before embarking on such an exercise. Exporting often requires a considerable investment of company resources for a long period before any profits are seen.

The export strategy should form part of the overall company strategy. The company should be clear about its expectations from exporting as well as fully aware of its own limitations. For example, if the company is not prepared to increase production to respond to international demand, then it should not be considering the export market.

8.2 Explore Export Assistance Programs

Assuming the company has the management time, financial resources, capacity and commitment to export, the next step is to explore export assistance programs which are available to assist P.E.I. companies enter export markets.

A number of federal and provincial government programs are available to assist with export market research, make product modifications, provide export advice, assist with financing, contribute to the costs of export advertising and promotion, and help pay for the cost of developing an export marketing strategy. A summary of the assistance programs available to P.E.I. companies is available in Appendix 1.

8.3 Conduct Market Research

Once the programs available to conduct such research have been reviewed, the company should begin to collect U.S. market information additional to that which is presented in this report. There are a number of general sources of U.S. market information available to P.E.I. companies. Some of these sources are presented in Appendix 2.

Appendix 3 presents a list of organizations, contact names, addresses and telephone numbers for relevant distributors and brokers in the New England States. This list was provided by the Canadian consulate office in Boston.

8.4 Develop an Export Marketing Strategy

Once sufficient market research has been carried out, the company should prepare a written export marketing strategy. This need not be lengthy; point form strategies are often more useful than long, windy documents. Committing the strategy to paper helps ensure that few things are overlooked, and allows for a periodic review of performance. The following elements of a typical Export Marketing Plan appear in the publication *Export Guide - A Practical Approach* written for External Affairs Canada by the Canadian Exporters' Association:

- **Management Survey**

- **Analysis of Target Market(s)**
  - buyer
  - competition
  - channels
  - technology
  - government

- **Review of Company and Product**
  - past performance
  - resources - financial, production and human
  - organization structure - incentives, authority, responsibility
  - domestic marketing program: product, price, promotion, distribution

- **Problems and Opportunities in Target Markets**
  - strategies for each of these, for example, a company may be more successful in penetrating a market on a joint venture, licensing agreement or equity investment

- **Export Market Program**
  - product strategy
  - price
  - promotion
  - distribution
  - research

- **Financial Implications of Exporting**
  - projected revenues
  - projected expenses
  - financing needs
  - sources of financing

- **Program Implementation**
  - who will do what, when, where
  - staff recruiting, training, controlling and compensating

- **Program Evaluation**
  - information flow for ongoing feedback

- **Contingency Plans**

8.5 Implement the Strategy

The next step in the export process is to implement the marketing strategy. Appendix 3 contains practical information concerning finding U.S. export partners, and the organizational factors to be considered -- two important elements in the implementation process.

APPENDIX 1

EXPORT ASSISTANCE PROGRAMS

Prince Edward Island Companies'
Access to Federal and Provincial
Export Development Programs

The programs summarized in this section are intended to provide an outline of some major federal and provincial programs related to marketing and export to the United Sates.

FEDERAL PROGRAMS

A. ATLANTIC CANADA OPPORTUNITIES AGENCY

ACOA Action Program - designed to focus assistance on the innovative ideas of small and medium sized businesses within eligible sectors. The following assistance is available.

1. **Marketing Development** - designed to encourage small and medium sized business to establish a marketing strategy to maximize revenues through the development and maintenance of domestic and export sales, import replacement and product diversification. Contributions are be available for:

   A The cost of hiring a qualified person for up to three years for the implementation of a marketing plan. The contribution would be up to 75% during the first year, 50% during the second year and 25% during the third year, for the cost of hiring an incremental qualified person(s) to implement an acceptable and approved marketing plan.

   B The direct costs of developing new packaging, promotional materials, advertising, product or equipment demonstrations and participation at trade shows. Contributions can be up to 50% of direct costs associated with packaging and labelling, promotional material, advertising, products or equipment demonstrations and trade shows, fairs and exhibits.

2. **Innovation Assistance** - financial support to advance the level of technology in use in the region, improve productivity or develop new or improved products.

3. **Capital Investment Assistance** - support for new facility establishment depending on evaluation of viability and economic benefit and for expansion or modernization of existing facilities.

4. **Business Studies** - assistance in the costs of engaging qualified consultants involved in investigating ideas and in improving the quality of management.

5. **Business Support** - assistance in the costs of non-commercial projects that provide a proven service to small- and medium sized businesses such as training and technology transfer.

6. **Supplier Development Service** - assist companies to compete more easily for government purchasing contracts for goods and services.

CONTACT - ACOA Regional Office, 3rd Floor, 75 Fitzroy Street, Charlottetown, P.E.I., C1A 5A6 (800 565 0228)

B. DEPARTMENT OF EXTERNAL AFFAIRS

1. **Program for Export Market Development (PEMD)**

DESCRIPTION - PEMD is the primary trade related program in the Department of External Affairs, the objective of which is to increase the sales of Canadian goods and services. This is achieved through cost sharing activities and involves both industry initiated activities and government planned activities.

The following industry initiated export marketing activities are eligible:

- participation at recognized trade fairs outside Canada
- visits outside Canada to identify markets and visits of foreign buyers
- project bidding or proposal preparation for specific projects involving international competition and formal bidding procedures
- the establishment of export consortia for companies
- the establishment of permanent sales offices abroad
- special activities for non-profit food, agriculture, and fish organizations, marketing boards and agencies
- marketing agreements with the department to undertake a concentrated marketing program

Government-initiated activities include:

- sharing the cost of a company's participation at trade exhibits outside Canada
- sponsoring outgoing missions of Canadian business people to identify market opportunities abroad
- hosting incoming missions to Canada of foreign business and government officials who can influence export sales

ELIGIBILITY - Applicants must be an incorporated business, an independent firm of professionals, a non-sales association, marketing agency or board, or a national private sector, non-profit trade organization.

CONTACT - International Trade Centre, 134 Kent Street, Charlottetown, P.E.I., C1A 7M8 (902 566-7443)

2. New Exporters to Border States (NEBS)

DESCRIPTION - NEBS is a joint activity involving External Affairs, International Trade Canada, regional International Trade Centres and provincial trade departments. The program is targeted at non-exporters and is essentially a crash course on essential elements for exporting to border states. Participants of the NEBS program are taken to the nearest Canadian Trade Commissioner's office across the U.S. border and over a two-day people period, are ushered through all phases of exporting from customs clearance procedures to warehousing and distribution of goods.

ELIGIBILITY - Applicants must be any Canadian business not presently exporting its commodities to the U.S. on a regular basis.

CONTACT - International Trade Centre, 134 Kent Street, Charlottetown, P.E.I., C1A 7M8 (902 566-7443)

3. New Exporters to the U.S. South (NEXUS)

DESCRIPTION - NEXUS is intended to introduce businesses that are presently selling to border U.S. States to new regional markets in the U.S. and particularly the south eastern and western States. The objective is to get exporters to visit other areas of the U.S. to uncover new opportunities and to improve overall

market share. The focus is on outlining the sectoral market characteristics and on developing a program to gain distribution and sales exposure for the companies.

ELIGIBILITY - Companies will qualify for participation in a NEXUS mission if they have demonstrated a sustained and successful marketing effort to the northern states.

CONTACT - International Trade Centre, 134 Kent Street, Charlottetown, P.E.I., C1A 7M8 (902 566-7443)

4. Other Programs

Info Export - provides information on the government's export programs and refers business people to the appropriate sources of assistance.

CONTACT - toll free at 1 800 267-8376

Commercial Trade Representation Abroad - provides a worldwide network of trade experts whose primary responsibility is to assist Canadian exporters to get started or to expand sales in foreign markets.

Cost Recoverable Technical Assistance Program - aims to improve Canada's performance in marketing Canadian goods and services abroad through the use of Canadian government experts on a cost-recoverable basis.

Geographic Branches - main function is to develop export markets for Canadian goods and services.

International Trade Centres - provide advice on export markets opportunities and refers business people.

International Trade Data Bank - information bank which track and list the export and import flow data from trading nations.

WIN Exports - a computerized information system which matches Canadian exporters to market opportunities around the world.

World Market Trade Development Program - designed to improve Canadian access to world markets.

C. AGRICULTURE CANADA

1. Canadian Agri-food Development Initiative (CAFDI)

DESCRIPTION - CAFDI aims to encourage economic development in the Canadian agricultural and food products industries by providing financial assistance for projects in market development, production development and human resource development.

ELIGIBILITY - Applicants must be commercial and non-profit organizations, including corporations, cooperatives, marketing boards, partnerships, sole proprietorships, universities, industry associations, provincial and territorial governments, crown corporations and government agencies.

CONTACT - Agriculture Development Branch, 141 Kent Street, 2nd Floor, Charlottetown, C1A 8C5 (902 566-7316)

D. EXPORT DEVELOPMENT CORPORATION (EDC)

The EDC is Canada's official export credit agency responsible for providing export credit insurance, loans, guarantees and other financial services for the export community. Specific programs include:

EDC Insurance Program

Export Financing and Guarantee Programs

U.S.A. Commercial Risk (Small Business) Insurance

CONTACT - Atlantic Regional Office, Toronto-Dominion Bank Building, Suite 1003, 1791 Barrington Street, Halifax, Nova Scotia, B3J 3L1 (902 423-0881)

E. INDUSTRY, SCIENCE AND TECHNOLOGY CANADA (ISTC)

Business Opportunities Sourcing System (BOSS) - is a computerized data bank which contains information on Canadian manufacturing and service companies.

CONTACT - International Trade Centre, 134 Kent Street, Charlottetown, P.E.I, C1A 7M8 (902 566-7443)

F. **FEDERAL BUSINESS DEVELOPMENT BANK**

Counselling Assistance to Small Enterprises (CASE) - provides counselling assistance in all areas of business management including accounting, marketing, production and personnel.

CONTACT - FBDB, Charlottetown Branch, 180 Kent, Charlottetown, P.E.I. (902 566-7454)

Export Receivable Financing Program - provides small and medium-sized businesses with a means to obtain an adequate level of financing for their foreign based receivables.

CONTACT - FBDB, Charlottetown Branch, 180 Kent, Charlottetown, P.E.I. (902 566-7460)

PROVINCIAL PROGRAMS

A. **PRINCE EDWARD ISLAND DEVELOPMENT AGENCY (PEIDA)**

Market Promotion - provides assistance to advertise and promote companies and their products in an effort to maximize sales and to participate in product trade shows to develop and maintain contacts in domestic and export markets.

Research and Information - provides assistance for identifying new or increased sales opportunities for Island products in local, national and export markets and obtaining market and technical information required to carry on or expand business.

Market and Product Development - provides assistance to generate and increase the sales of P.E.I. products and to develop new or improved products and processes.

Market Organization - provides assistance to upgrade marketing skills, prepare and implement short and long term marketing plans and form marketing organizations to capitalize on market opportunities.

ELIGIBILITY - Eligible clients for the four programs outlined above must be primary producers, producers' organizations processors or manufacturers established and operating in P.E.I.

CONTACT - PEIDA, West Royalty Industrial Park, Charlottetown, P.E.I., C1E 1B0 (902 368-5800)

APPENDIX 2

SOURCES OF GENERAL MARKET INFORMATION

SOURCES OF GENERAL MARKET INFORMATION AND PUBLICATIONS

A) SOURCES

1) International Trade Centre of Industry, Science and Technology Canada
Charlottetown, PEI

2) PEI Department of Industry
Charlottetown, PEI

3) Canadian Trade Commissioner Service
c/o Canadian Consulate
Boston, New York

4) Consulate/Embassy of country of destination in Canada

5) Statistics Canada

6) Export Development Corporation
Atlantic Region Office
Suite 1003, Toronto-Dominion Bank Building
1791 Barrington Street
Halifax, Nova Scotia
Tel: (902) 429-0426 Fax: (902) 423-0881

7) For Agricultural and Food Products
U.S. Foreign Agriculture Service
c/o U.S. Embassy
Ottawa, Ontario
Tel: (613) 238-5335

8) U.S. Customs
Portland, Maine
Tel: (207) 780-3330

9) U.S. Bureau of Census, Boston (via Canadian Consulate in Boston)

10) U.S. Customs Brokers at port of entry in the United States

11) International Business Council of Canada
Canadian Chamber of Commerce
1080 Beaver Hall Hill, Suite 1630
Montreal, Quebec H2Z 1T2
Tel: (514) 866-4334 Fax: (514) 866-7296

12) Atlantic Provinces Transportation Commission
P.O. Box 577
Moncton, New Brunswick E1C 8L9
Tel: (506) 857-2820

B) PUBLICATIONS

1) Directory of the Canadian Trade Commissioner Service
Published by;
Trade Communications-Canada Division (BTC)
Available through;
Info Export (BTCE)
Department of External Affairs
125 Sussex Dr.
Ottawa, Ontario
Tel: (603) 0992-6267

2) So You Want to Export? - Making the Initial Decision
Published by;
Trade Communications-Canada Division (BTC)
External Affairs and International Trade Canada
125 Sussex Dr.
Ottawa, Ontario
Tel: (613) 992-6267

3) Canadian Agricultural Exporter's Handbook
Food Development Division
Agriculture Development Branch
Agriculture Canada
Ottawa, Ontario

For advice on all aspects of agricultural exports, this is an excellent, thorough publication

4) Directory of United States Customs Brokers
Published by;
Trade Communications-Canada Division (BTC)
External Affairs and International Trade Canada
125 Sussex Dr.
Ottawa, Ontario
Tel: (613) 992-6267

5) Export Techniques
Published by;
J.R. Arnold
6122 Depot 1
Victoria, British Columbia
V8P 5L4

APPENDIX 3

SOURCES OF SPECIFIC MARKET INFORMATION

SEAFOOD DISTRIBUTORS
(Some of which currently handle lobster)

Atlantic Crossings, Inc.
206 Dedham Street
Norfolk, MA 02056
508-384-7785
Mr. Vin Sbano
Mr. Tony Sbano

Bay Shore Group, Ltd.
853 Turnpike Street
Suite 244
N. Andover, MA 01845
508-975-0626
Fax 975-2745
Mr. Mike Langley

Bay State Lobster Co., Inc.
379 - 395 Commercial Street
Boston, MA 02109
617-523-4588
Mr. Richard Faro Jr.

Crocker & Winsor Seafoods
145 Northern Avenue
Boston, MA 02210
617-482-6648
Fax 482-7471
Mr. Sam Bloom

Demoulos Supermarkets
875 East Street
Tewksbury, MA 01876
508-851-7381
Mr. Ron Carignan

Dole & Bailey, Inc.
24 Fish Pier
Boston, MA 02210
617-935-1234
Fax 348-2847
Mr. Neil Murphy
Ms. Susan Adelson

Foley (M.F.) Fish Co.
24 W. Howell Street
Dorcester, MA 02125
617-288-1300
Mr. Frank Foley

Fresh Water Fish Co.
145 Northern Avenue
Boston, MA 02210
617-227-4232
Mr. Gerald Abrams

Gorton Corp.
327 Main Street
Gloucester, MA 01930
508-283-3000
Fax 283-9072
Mr. Stan Freener

Hadley Group, Ltd.
P.O. Bo 206
Shovel Shop Square
N. Easton, MA 02356
508-238-8515
Fax 238-7963
Mr. Mark Hadley

Jordan's Meats, Inc.
38 India Street
Portland, ME 04104
207-772-5411
Mr. Richard Giles

G.P. Hale Fish Co.
145 Northern Avenue
Boston, MA 02210
617-423-7185
Mr. Wayne Hale

Higgins (G.F.), Inc.
195 Rockland Street
Hanover, MA 02339
617-826-8858
Fax 826-4161
Mr. Gerry Higgins

Ipswich Shellfish Co., Inc.
14 Hayward Street
Ipwich, MA 01938
508-356-4371
Mr. Peter Maistrellis

Legal Seafoods, Inc.
33 Everett Street
Allston, MA 02134
6170-783-8084
Mr. Roger Berkowitz

National Fish & Seafood, Inc.
17-21 Rogers Street
Gloucester, MA 01930
508-283-8907
Fax 281-5723
Mr. Jack Ventola

Ocean Venture, Inc.
149 Maple Street
Danvers, MA 01923
508-774-9390
Mr. Norm Desrocherts

New Boston Seafoods
2 Food Mart Road
Boston, MA 02188
617-380-8021
Mr. Al Chiocchio

North Coast Seafoods, Inc.
12-14 Fargo Street
Boston, MA 02210
617-523-0685
Mr. Jim Stavis

O'Donnell-Usen Fisheries Corp.
255 Northern Avenue
Boston, MA 02210
617-542-2700
Fax 482-3527
Mr. Jeffrey Payne

Ocean Fresh Seafood, Inc.
693-695 E. Washington Street
North Attleboro, MA 02760
508-695-7087
Fax 699-6970
Mr. Bob Coutu

Supreme Sea Products, Inc.
47 Ellery Street
S. Boston, MA 02127
617-269-1500
Mr. Al Catizone

Slade Gorton & Co., Ltd.
295 "A" Street
Boston, MA 02210
617-357-5800
Fax 426-7238
Mr. Jack Stanton

Stavis Seafoods, Inc.
7 Channel Street
Boston, MA 02210
617-482-6349
Fax 482-1340
Mr. Ed Stavis

Turner Fisheries, Inc.
1 Fish Pier
Boston, MA 02210
617-426-6530
Mr. John Turner

Viking Seafoods, Inc.
P.O. Box 159
50 Crystal Street
Malden, MA 02148
617-321-6050
Fax 397-0527
Mr. Charles Gulino

Universal Fish of Boston, Inc.
10 Tower Office Park
Suite 500
Woburn, MA 01801
617-0938-1111
Fax 932-3386
Mr. Tom Katz

West Bay Imports, Ltd.
925 Main Street
East Greenwich, RI 02818
401-738-6500
Mr. Russ Haft

FOOD SERVICE DISTRIBUTORS
(Some of which currently handle lobster)

A. Lipson, Inc.
69 Fifth Street
P.O. Box 10
Dover, NH 03820
Mr. Raymond Hennessey, President

Associated Foods
725 Gold Street
P.O. Box 5200
Manchester, NH 03108
603-669-3250
Mr. Norman Turcotte, President

Astor & McGregor
One Technology Drive
Peabody, MA 01960
617-665-3435
Mr. Jonathan Astor, President

Bay State Food
10 Hancock Street
Woburn, MA 01801
617-933-2980
Mr. Richard DeSanctis, President

Bay State Lobster
379-395 Commercial Street
Boston, MA 02109
617-523-4588
Mr. Richard Faro, President

Berkshire Beef Co., Inc.
P.O. Box 321
Pittsfield, MA 02102
413-447-7394
Mr. Jack Franchebois, President

Burlington Food Service Co.
P.O. Box 547
Burlington, VT 05402-0547
802-864-5708
Mr. Robert Cooper, President

Butler Wholesale Products, Inc.
P.O. Box 308
37 Pleasant Street
Adams, MA 01220
413-743-3885
Mr. Albert Bashevkin, President

Cambridge Packing Co., Inc.
19-20, 39, 43 Food Mart Road
Boston, MA 021128
617-269-6700
Mr. Stanley Rodman, President

Carl W. Smith Food Distributor, Inc.
P.O. Box 1192
Bangor, ME 04401
207-945-9457
Mr. Carl Smith, Jr., President

Cirelli Foods, Inc.
970 West Chestnut Street
Brockton, MA 02400
617-584-6700
Mr. Joseph Cirelli, President

Colonial Wholesale Beverage Corp.
965 Reed Road
North Dartmouth, MA 02747
617-999-2337
Mr. Frank Sousa, Jr., President

Dole & Bailey, Inc.
16 Conn Street
Woburn, MA 01888
617-935-1234
Mr. Donald Matheson, President

E.A. Tosi & Sons Co., Inc.
77 Messina Drive
P.O. Box 265
Braintree, MA 02184
617-848-1040
Mr. Paul Tosi

Frosted Foods, Inc.
N. Commercial Street
P.O. Box 486
Manchester, NH 03101
603-623-3564

George Spencer & Co., Inc.
90 Avocado Street
P.O. Box 2738
Springfield, MA 01101
413-785-1587
Mr. Howard Albert, President

Hallsmith/SYSCO Food Services, Inc.
380 South Worcester Street
Norton, MA 02766
617-285-6361
Mr. Edward Hasty, President

Henry F. Fagan Wholesale, Inc.
134 Post Street
P.O. Box 843
Rutland, VT 05701
802-773-8295
Mr. Timothy Fagan, President

Jimmy's Food, Inc.
23 Ferry Street
Van Buren, ME 04783
207-868-3311
Mr. Camile Lagasse

John Sexton & Co.
505 University Avenue
Norwood, MA 02062
617-762-9200
Mr. Roger Coleman, President

Kraft/S.S. Pierce Co.
P.O. Box 6030
1 Technology Drive
Peabody, MA 01960
508-532-5000
Mr. Ron Vautour, President

L. Hurshberg, Inc.
Hercules Drive
P.O. Box 70
Colchester, VT 05446
802-655-2226
Mr. William Moore, President

Merchants Poultry Co.
9-11 Food Mart Road
Boston, MA 02118
617-269-6080
Mr. Lawrence Cianciolo, President

New England Food Service Company
211 S. Main Street
Bellingham, MA 02019
508-883-1800
Mr. Nick Santoro, President

PYA/Monarch Inc.
201 Beacham Street
Everett, MA 02149
617-389-3300
Mr. James Cockman

R.J. MacKoul Foods, Inc.
76 Webster Place Ext.
Worcester, MA 01603
617-799-4423

Ranaldi Bros. Frozen Food Products, Inc.
1033 Turnpike Street
Canton, MA 02021
617-828-9100
Mr. Raymond Ranaldi, President

S.F.G. Springfield Foodservice Corp.
340 Taylor Street
P.O. Box 1954
Springfield, MA 01101
413-733-3053
Mr. Giorgio Cambi, President

Shaheen Bros.
439 Haverhill Street
Lawrence, MA 01842
617-688-1844
Mr. Donald Shaheen

Swift Independent Packing Co.
187 Cottage Street
Springfield, MA 01104
413-737-1173
Mr. Nick Grimaldi, Manager

Worcester Quality Food, Inc.
512 Southbridge Street
Worcester, MA 01610
617-791-9396

FOOD SERVICE BROKERS OF NEW ENGLAND
(Some of which currently handle lobster)

Parker - Tilton, Inc.
P.O. Box 840
Scarborough, ME 04074
(207) 883-3417
Contact: Steve Smalley

Adams & Tully Corp.
24 Crescent Street
Waltham, MA 02154
(617) 893-3037
Contact: Frank Tully

Chase Kolbin Assoc.
690 Canton Street
Westwood, MA 02090
(617) 461-0700
Contact:

Leboeuf & Assoc., Inc.
368 Hillside Avenue
Needham Heights, MA 02194
(617) 444-5666
Fax: 449-7658
Contact: Norm LeBoeuf

Frank Norton Co.
875 Providence Highway
Dedham, MA 02026
(617) 449-6990
Contact: Frank Norton

Yankee Marketers, Inc.
P.O. Box 370
Middleton, MA 01949
(508) 777-9181
Contact: Amy Fay
Contact: Bob Vercautea

E.L. Cooney, Inc.
409 Pond Street
Braintree, MA 02184
(617) 773-1777
Contact: Jack Callahan
Contact: Thomas (Spike) Cooney

Food Enterprises
500 Turnpike Street
Canton, MA 02021
(617) 828-4800
Contact: Richard Sylvia

RETAIL FOOD BROKERS
(Some of which currently handle lobster)

Adams & Tully Corp.
24 Crescent Street
Waltham, MA 02154
(617) 893-3037
Contact: Frank Tully

Lou Allen & Sons, Inc.
858 Walnut Street
Newton Center, MA 02159
(617) 332-8200
Contact: Lou Allen

Morris Alper & Sons, Inc.
10 Burr Street
Framingham, MA 01701
(508) 875-5600
Contact: Frederic Alper

Bergin-Bryant, Inc.
1 Bridgeview Circle, Suite 11
Tyngsboro, MA 01879
(508) 649-6905
Contact: Peter Bergin

Devine & Devine, Inc.
40 Accord Park Drive
Norwell, MA 02061
(508) 878-1735
Contact: Joseph Devine

APPENDIX 4

IMPLEMENTING THE STRATEGY

IMPLEMENTING THE STRATEGY[1]

Finding a Partner

Whether a Canadian firm chooses to export using manufacturers' representatives or distributors, or whether it has decided that a licensing agreement or joint venture is a more appropriate strategy, it is necessary to locate business partners in the United States.

There are a variety of sources of assistance available to Canadian firms seeking U.S. business partners. The best place to start is with the Canadian consulate located in the target U.S. market area. Consulates' trade commissioners keep detailed records of manufacturers' representatives, distributors and agents operating in their market areas and will provide them to Canadian firms.

Before visiting the consulate, a letter should be sent outlining the purpose of the visit, and information requirements. Manufacturers should arrive at the consulate equipped with a business plan clearly defining goals, objectives and criteria for selection of a business partner.

Consulates may also be able to assist with the identification of suitable licensing or joint venturing partners. Additionally, local accounting firms, consultants, lawyers, large local banks and business may be of assistance.

Trade shows are also an excellent means of contacting business associates, especially manufacturers' representatives and distributors. They are also a good means of assessing the competition. Manufacturers should plan to attend key trade shows prior to implementing a U.S. market penetration strategy.

A listing of most regional and national trade shows in the United States is available through contacting Co-Mar Management Services Inc., 366 Adelaide Street East, Suite 339, Toronto, Ontario, M5A 3X9; telephone (416) 364-5352. The directory, called "Directory of International Trade Fairs" may also be available at your local library, or through the B.C. Info Business Centre at 750 Pacific Blvd. South, Vancouver, B.C.

Manufacturers' representatives may be located through contacting MANA, or the Manufacturers' Agents National Association in Laguna Hills, California. This organization publishes a directory of agents organized by product specialty and territory, as well as publishing a monthly trade magazine.

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[1] Sourced from: Alternative Methods of Penetrating the U.S. Market. Peat Marwick International Trade Group, January, 1989.

Trade journals and magazines relevant to a particular industry may also be useful in locating business partners.

All manufacturers planning to penetrate the U.S. market should visit the market area and conduct as much market research as possible, or engage a consultant to do the same. Discussions should be held with important buyers and with as many distribution channel members as possible. This process will help the Canadian firm to identify potential business partners.

Selecting a Partner

Once a number of potential partners have been identified, the selection process begins. There are numerous published checklists of questions to ask prospective manufacturers' agents or distributors. At a minimum, the manufacturer should ask:

- How long the agent/distributor has been in business
- Volume of business transacted annually.
- Size of average order.
- Number of sales personnel and performance of each.
- Commission rate expected.
- Amount of time agents will devote to the Canadian product.
- For a copy of audited financial statements.
- For a listing of other products represented.
- For a customer list.
- For assurances regarding number of sales calls the agent will make in a monthly period.
- Whether the agent is willing to provide market intelligence information and at what price.
- Whether the agent will agree to allow the manufacturer to maintain house accounts, if necessary.
- Whether the agent is prepared to provide after sales support, if necessary.

- Agents's assessment of prospects (sales forecast).
- References.

Drawing Up an Agreement

Manufacturers should seek assistance from legal and accounting professionals when drawing up an agreement with any U.S. business partner. Chances are good that one of these professionals will be able to provide draft copies of standard agreements which will be useful in ensuring that all key areas are covered. Market research activities in the target market may also turn up competitors' agreements.

Organizational Factors to Consider

Canadian manufacturers should be prepared to respond to the needs of their U.S. business partners immediately upon signing a deal. This may require significant work and reorganization at home.

An exporting strategy places demands on all members of the domestic company from marketing personnel, to purchasing, shipping and accounting. Within each affected department, someone must be assigned responsibility for export-related business matters. Without specific assignment of authority and the establishment of clear reporting lines, key decisions will require unreasonable amounts of time and business will likely be lost.

Responsibility for the U.S. business base must also be clearly assigned at senior management levels. Without senior management commitment, no strategy will succeed.

It is important to ensure that all of the details associated with the new foreign market activities have been addressed by the time an agreement is in place. For example, manufacturers who have chosen an exporting strategy will need:

- a ready supply of order forms, quotation forms and other administrative forms;
- procedures in place to replace faulty or otherwise unsatisfactory merchandise in a timely manner;
- a plan for and schedule for sales meetings with U.S. sales reps;
- a financial accounting system in place that can cope with exchange rates, invoicing south of the border and timely remuneration of non-company sales representatives, if applicable;
- arrangements with a banker who will assist in collecting foreign receivables;

- a supply of product literature suitable to the foreign market;
- price lists calculated F.O.B. nearest border crossing, and including agents' commissions, U.S. customs duties, U.S. customs house brokerage charges, insurance and freight;
- product sample;
- merchandising racks, if required;
- advertising and promotional materials; and
- product specifications, if applicable.